



# Does a Southern European Model Exist?

**ALBERTA ANDREOTTI, SOLEDAD MARISOL GARCIA, AITOR GOMEZ, PEDRO HESPANHA, YURI KAZEPOV & ENZO MINGIONE**

## *Introduction*

In the comparative literature on welfare systems<sup>1</sup>, South European countries (Italy, Spain, Portugal and Greece) have been considered part of the *conservative corporative model* (Esping Andersen 1990; 1999) which is characterised by two main features: 1) a high level of subsidiarity to the family; and 2) the importance of the breadwinner position within the labour market.

In this model, a relevant role in the *de-commodification* of people is played by family and by those associations operating in the non-profit sector (Laville 1994; Ascoli, 1999), the state intervenes only when the family fails. Access to social rights depends heavily, directly or indirectly, on employment entitlements, creating strong opposing poles of 'insiders' and 'outsiders'. The model of the adult *male breadwinner*, protected by state and trade-union action, is the main form of citizenship in terms of income maintenance. However, apart from these main common features, there are important differences which make it necessary to distinguish continental European countries (France, Germany, Belgium, The Netherlands) from South European ones. In this contribution, we will try to give reasons for these differences adopting an historical narrative. Taking Esping Andersen's work as starting point, we will frame it from an historical and not from a determinist perspective. This gives us the possibility of reading the differences in historical developments and the different factors which helped to create a separate cluster.

From an historical point of view, taking the last fifty years, proletarianisation and migration are particularly relevant, as they contributed to the construction of welfare systems and the different groups at risk of poverty and social exclusion. These two processes are linked to the industrialisation process. The economy of

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<sup>1</sup> The difference between welfare system and welfare state lies in the fact that the welfare state refers only to the public sphere, while the welfare system or regime covers all agencies, public and private (family, third sector, voluntary services, market, state) which distribute resources that individuals can access. Attention is focussed on how the different agencies act and interact.

south European countries in the 1950s was based mainly on agriculture and it is only in the 1960s and 1970s that it developed industrial standards comparable with France, Germany, Belgium or the Netherlands. With their more developed industries, in the first two post-war decades, these countries attracted low-skill immigrants, mainly from Southern European countries. Migration helped to influence the features and programmes of their welfare systems – ranging from the German ‘Gastarbeiter’ model of segmented citizenship to the selective assimilation policies in France, and partly in the United Kingdom – at the very time that it was developing a definitive Fordist profile (Mingione 1997). The persistence of migration encouraged continental countries to develop programmes of occupational training and active insertion policies which ended up in a dual labour market where immigrants were predominantly deployed in low-skill positions and indigenous workers were, in different ways (but mainly through the development of training and educational schemes), protected from competition. The case of Germany is the most obvious here with its dual training system, which has managed to protect young Germans from immigrant competition and keep social tensions under control. Conversely, in Southern countries, migration outflows discouraged investment in professional training and labour market policies for young people, as the latter were the most likely to migrate, preferring to prioritise the adult male breadwinner. This also has important consequences for explaining current youth unemployment in Southern countries (see § 4).

Waves of emigration also helped slow the process of proletarianisation. In fact, by removing labour from local market, migration allowed a smooth transition from agriculture to an industrial economy. The relatively low level of proletarianisation, and conversely, the persistently high level of self-employment are both important characteristics of the South European model, as they have heavily influenced its structure.

Differences in labour structures, the degree of industrialisation and of proletarianisation also had important consequences for the political and economic strategies of inclusion of different social groups, in particular of self-employment. In Southern countries the self-employed remained partially excluded from the main benefits deriving from the labour market (e.g. unfavourable pensions or lack of family allowances), as they had a weaker voice in the political arena, they were mainly integrated through the toleration of tax-evasion and informal labour. In Continental countries, on the contrary, the integration of the self employed came about mainly through forms of corporative protection and central governments were powerful enough to guarantee social rights regardless of the voice of the different social groups demanding them. This historical and institutional aspect reminds us of the weaker position of the state in the South European model. This peculiar feature goes back to the problematic alliance between political classes, bureaucrats and ‘capitalist bourgeoisie’ (Mingione, forthcoming).

ing). This resulted in the chronic inability of the state to give clear political directions, always manoeuvring between different interests.

The different patterns of continental and southern countries we have just outlined, emerged in the first two decades after the Second World War giving rise to two different models.

The picture of the South European model, however, is further complicated by the strong regional differences present within it. In fact, some regions, mainly Northern Italy and Northern Spain, have numerous features in common with Continental countries, such as a high level of internal migration (during the 1950s and 1960s), a relatively high level of industrialisation and proletarianisation, as well as a strong presence of highly dynamic and innovative self-employment. These regions show quite well how the characteristics of the model can coexist with a high level of development, in part indicating that this model does not necessarily represent a sign of backwardness, but simply a different path of development. In order to show more clearly this geographical fragmentation, we will take as an example the Italian case, considering the North and the South of the country separately.

Hereafter, we will come back to these features explaining their meaning in each of the three different spheres of regulation – Family, State and Market – which, in different combinations, produce different welfare regimes, and try to explain the specific nature of the South European regime.

### *The centrality of the weak state*

‘Weakness’ and ‘centrality’ are salient characteristics of the state in South European countries, while ‘strength’ and ‘marginality’ characterise most social forces beyond the state, from the family to the third sector. Apparently contradictory, such attributes need some clarification.

**Table 1 - Social Expenditure as a % of total benefits and GDP in 1997**

	EU(15)	IT	ES	PT	FR	G	UK	SW
Sickness	26.8	23.2	28.8	33.3	28.8	29.2	26.1	22.5
Disability	8.5	6.3	7.7	12.7	5.2	8	12.2	11.7
Old Age	39.5	53.6	41.9	35.3	37.5	40.6	35.3	37.3
Survivors	5.4	11.5	4.3	7.5	6.1	2.1	5.4	2.3
Family and Children	8.4	3.5	2	5.3	10	10.3	9.1	10.8
Unemployment	7.6	1.8	14.1	5	7.8	6.8	4	9.5
Housing	2.3	0	0.3	0	3.3	0.6	7	2.7
Social Exclusion	1.4	0	0.8	0.9	1.3	2.5	0.8	3.2
% of GDP	28.2	25.9	21.4	22.5	30.8	29.9	26.8	33.7

Source: Eurostat, 2000

The weakness of the state is evident from the low levels of state provision in social welfare both in terms of benefits and services, when compared to Northern countries. Leibfried speaks of ‘a rudimentary and residual welfare state’

(1992), Ferrera of 'a low degree of penetration of the state in the sphere of social protection' (1996: 17). Even though the levels of social expenditure have been increasing during the last two decades, the pattern of its internal distribution remains uneven and completely unbalanced in favour of pensions, giving few resources to active labour policies, housing or social exclusion (Table 1). From a comparative perspective, Table 1 shows very clearly the allocation of expenditure and the overwhelming weight of insurance- and contribution-based welfare provisions in South European countries. If we add the values corresponding to work disability insurance, reversibility pensions and, above all, old age pensions, we discover that nearly two thirds of welfare resources are strictly channelled through contributory schemes. Old people, usually with a regular contributory-based working career are clearly the best secured by the welfare state.

Different explanations act together to justify this unbalanced institutional design and the underlying weakness of it. The principle of subsidiarity<sup>2</sup> (mainly passive subsidiarity) is particularly relevant and enjoys wide acceptance, both culturally and in its institutional consequences (Kazepov 1999). This is commonly associated with the strength of both conservative political forces and specific cultural frames of reference, marked by the institutional weight of the Catholic Church. In this direction, Leibfried clearly identifies the Latin-Mediterranean model of welfare state with a system of social protection inspired by social Catholicism (1992).

Despite its weakness, the state plays a central role in regulating most spheres of social life either because of an excess of authoritarianism — in the past in the form of dictatorships in some countries — or because of lack of true national objectives (*qua* hegemony; Santos 1994). Such centrality can be explained by the state's capacity to occupy and dominate — through political regulation — a non-hegemonized social space, due to the high heterogeneity and fragmentation of social interests in the society. This was only possible because in these countries the modernisation of political institutions (parliamentary regimes) preceded the modernisation of economic structures (Santos 1994: 115).

The contradiction between the weakness and the centrality of the state is, however, only apparent inasmuch as the same factors that confer centrality to the state also contribute to its inefficacy. This happens because the relative autonomy of reciprocity and communities vis-à-vis market and politics becomes a hindrance in the state's functioning. It tends to subvert, transform and appropriate the means of state intervention through high levels of particularism, that may easily degenerate into clientelism, nepotism, corruption, etc. (Santos:116). Combinations of this type can take place between 'domination and patriarchy' and explain, for example, the power of certain family oligarchies and traditional local élites in the specific communities. In a similar way, the combination be-

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<sup>2</sup> According to which the state is less competent than the market/society for the provision of goods and services.

tween domination and labour exploitation can explain, for example, the power of certain companies either over their workers (disregard for labour rights) or over the state (tax evasion, favouritism, corruption). In a state aimed at increasing legitimation within a divided and socially fragmented society (Mingione 1991), some social groups – those more able to advance their interests – clearly become privileged (Schmitter 1999: 405). ‘While social heterogeneity and the existence of extensive informal, or parallel economies militate against universalism and the establishment of forms of solidarity based on more than particularistic group structures, the institutional factors (...) – that is, the absence of a strong state technocracy, the prominence of political parties as aggregators of social interests, alongside the weakness of civil society, and the persistence of clientelism – have also undermined the effectiveness of policy and helped fuel undisciplined spending’ (Rhodes 1998: 8).

The state and ‘civil society’ (considered here as the ‘non-political sphere’) are closely intermingled in Southern-European countries. The integration of different and contradictory social forces breaks up or freezes state intervention and hinders the formation of political consensus. Signs of this paralysis are quite evident: the failure to reform decisive sectors of administration or to take decisions or to follow strategic orientations; the over-production of legislation dissociated from effective implementation; interventionism without effectiveness in terms of public regulation; the investment in rhetorical dimensions of politics as well as in the media; the fragmentation of the administrative structures; the persistence of a clientelist bureaucracy with a low sense of professional responsibility. In the particular domain of social policies, the presence of a fragmented and corporatist regime of welfare provision is also revealing. Lacking the legitimacy to impose a more universal and redistributive system of protection, the state allows the stronger lobbies to follow a corporatist policy and keeps the weaker in an unprivileged position. The distinctiveness of a welfare system grounded on ‘unparalleled peaks of generosity’ and ‘protection gaps’ (Ferrera, 1996) is clearly rooted in this state paralysis.

The fact that some states in Southern Europe (Portugal, Spain, Greece and Turkey) have survived until recently under an authoritarian regime and that they have recovered democracy significantly at the same time, has made the political variable important for the understanding of the specific features of South European societies and in the design of a South European model of welfare (Arrighi 1985; Giner 1986; Mouzelis 1986; Schmitter 1986 and 1999). Some of the features of the authoritarian legacy equate with the radical trend of the left, the resilience of corporatism, or of an essentially state-dominated system and the reactions against policies prevalent in the authoritarian period (Rhodes 1998: 9). However, the democratic consolidation of the countries that have abandoned authoritarian rule does not mean that *ipso facto* they have become efficient in economic terms and at the administrative level or that order, consensus and political stability have started to dominate (Schmitter 1999: 353).

Democratic consolidation in the four Southern European countries has been closely related to their party systems. These systems have evolved with important similarities and differences according to their particular electoral laws which, in some way, shaped party membership, party-elite stabilisation and party identification. Consolidation of democracy in these countries took place within a decade from the new constitutional order: in Italy from 1947, in Greece from 1975, in Portugal from 1976 and in Spain from 1978 (Morlino 1995). In Italy, given the low threshold set by electoral law, the party system became relatively high fragmented. Attempts made by the Christian Democratic leadership to change the law encountered strong opposition from new parties wanting to enter the political arena in the early 1950s. This has been a recurrent issue in Italian politics. In Spain, Portugal and in Greece, party systems adopted the logic of competition with one large party of the Right against one large party of the Left. As a result, the number of effective parties in Portugal, Spain and Greece is quite similar, while Italy is clearly different. Italy had a least seven relevant parties during the 1950s and 1960s, with one party, the DC, characterised by plurality but no majority interacting with the six other parties. The DC lost its pivotal role with the restructuring of the party system between 1992 and 1994, when new parties emerged, the most prominent being the Alleanza Nazionale, Lega del Nord and Forza Italia on the right and the PDS on the left. In 1996 a left-wing-led coalition with the PDS as the main party won the elections for the first time marking the completion of a long process of democratic consolidation. The Spanish party system contrasts sharply with the Italian. After the 1982 elections there was only one main party (PSOE) facing only one significant opponent (PP), less substantial opposition from the left and several regional parties. Portugal's new party system in the 1970s and 1980s tended to limit multipartyism, and the absolute majority of parliamentary seats won by the PSD marked a shift to a core party system. From 1987 to 1995 the PSD (moderate right) was the main incumbent party facing the PS (moderate left) as the strong opposition party; in 1995 the position was reverse. In Greece, Nea Demokratia and PASOK have alternated in government.

Party-elite stabilisation has been greatest in Italy (until 1994) and Greece, followed by Portugal and Spain. In Spain the emergence of regional parties has contributed to further instability already present on the right and left flanks of the PSOE. Finally, party identification and membership shows also shows important differences within the four countries. Party identification in Italy is as high as in Germany and higher than in France. Greece has similarly high levels of party identification. Party membership is also considerably higher in Italy followed by Greece. In Portugal, membership levels are slightly higher than in Spain, which has the lowest party identification and membership in Western Europe. Even after a decade and a half of organisational development, the two largest parties in Spain only managed to attract one-eighth as many members as did their Italian counterparts. Thus both the party systems of Spain and Portugal

have become stabilised while party-membership rates are quite low. (Morlino 1995).

The relatively weak nexus between political parties and civil society in Southern European countries (perhaps with the exception of Northern Italy) is reinforced by the relatively weak role trade unions have played in the principle of social citizenship. Many of the welfare structures existing in Southern Europe preceded democratisation, and thus were constructed without the political participation of civil society. In contrast to Northern Europe, where social demands were articulated by the participation of workers representatives and other secondary associations, in Southern countries they played a very limited role both in the design and implementation of welfare policies. In the three countries emerging from authoritarian rule, workers' unions lacked the strength and political latitude to constitute an effective voice and to force substantial social policy changes. In the specific case of Spain 'it would not be until after the establishment of democracy – in the 1980s – that unions seriously addressed social welfare issues. By that time, however, the welfare structures of the state had yet again been engineered by state representatives in the absence of workers' (García & Karakatsanis, 2001). Similar analysis can be done for Portugal and Greece. Even in Italy, the interventionist State and colonisation of workers unions by party politics prevented workers from developing the required autonomy to be effective in exercising accountability concerning social policy. It has been argued that Italian corporatism served to exclude rather than incorporate the interests and demands of citizens into the formulation of social welfare policies (Salvati, 1982 in García and Karakatsanis 2001). Moreover, workers unions in these countries had remained male-dominated, senior in age and defensive in preserving their privilege position in the labour market. Thus issues such as family social policies have been notoriously absent from their demands while building up pacts with political parties and governments.

Countries with a democratic tradition, like Italy, manifest strong similarities with other southern European countries in different areas like social and economic structures, *vis-à-vis* world markets, historical experience and cultural standards. This obliges us to combine a wide range of factors besides political changes in order to better understand Southern particularities. If we define the welfare state within capitalist societies by the presence of some structural principles beyond de-commodification — i.e. a social pact between capital and labour under the patronage of state; a lasting relationship between economic accumulation and social legitimacy; a high level of social expenditure; a state bureaucracy conceiving of social citizenship as rights and obligations rather than favours and expectations (Santos 1994) – southern European countries still have some progress to make. In these circumstances, deficiencies of state provision are partially compensated by strong primary solidarity networks based on kinship and community ties and by the third and voluntary sector. Thus, a particu-

lar combination of a weak State, strong primary networks and segmented labour markets is the clearest hallmark of a South-European welfare state.

Having said this, it must be acknowledged that a considerable degree of reform and a great move forward took place in social policies during and after Portugal's and Spain's democratisation, and later on after they joined the EEC in 1986. The progress of welfare state programmes represented a real effort to rationalise the organisation of social services and to extend its provision but also the consequence of the 'obvious need for building the legitimacy of the new democratic governments' (Aguilar 1996: 97). However, considerable shortfalls in provision and development of a modern social protection system, related to both the weakness of state and the world economic recession, as well as neo-liberal austerity policies, reduced the impact of the political changes. Social security continued to be based on workers' and employers' contributions and the traditional system of unequal benefits remained intact. Pensions remained closely linked to years of service, the level of contributions and occupational status. Both democratic constitutions (Portugal 1976 and Spain 1978) assumed a universalistic principle for health, social security and social assistance but in spite of important steps taken to improve that principle (two of the most salient being the creation of national — regional in the case of Spain — health services and of guaranteed minimum income schemes), the development of welfare states in these countries remains incomplete and the welfare programmes are not well integrated, frequently overlap and are incoherently designed and managed (Aguilar, Laparra and Gaviria 1996; Hespanha et al. 1997). As a result, different categories of people continue to receive widely varying levels of benefits, depending on their working careers. In this context the importance of family support is crucial to have access to benefits and to prevent breakdown into a condition of need.

### *Reciprocity networks and family support*

As we have seen, one of the main features characterising the South European model, is its familial nature. This implies, first of all, a strong delegation of care to families, and particularly to women. A large number of social risks (e.g. illness, disability, unemployment and so on) are assumed to be the responsibility mainly of the family and kinship networks. The state does intervene, but mostly with relatively low monetary benefits. In common with continental countries, there is the *subsidiarity* principle, but in those countries subsidiarity is active (Kazepov 1999) as families are supported and protected by the state through generous monetary transfers and in-kind services, while in Southern Europe they are not. Furthermore, in the first case a safety net has been developed, while in the second one it is only in very recent years that it has been developed, including minimum income schemes. The practical result of this situation is an underdevelopment of care services. In Italy, for instance, childcare services for



infants under three years of age cover only 5% of all babies (Saraceno 1999)<sup>3</sup>, in Spain, in 1992, they covered 1.4% of all babies under two (cited in González, Jurado, Naldini 1999). The same is true for services caring for the elderly, despite the fact that they are overprotected at least financially (through pensions). National data hide, however, important differences at the local level. In fact, if we take Northern Italy as an example, (the same could be said for Spain with regard to Catalonia and the Basque Region) the situation is rather different. Northern Italian regions have a fairly developed service network: child care services for children under three cover almost 30% of children and in some regions even more (e.g. Emilia Romagna, Tuscany), whereas in southern Italy they are completely lacking, and the same is true for care of the elderly. In this sense, regional differences highlight the importance of keeping in mind the local context in structuring the welfare system, showing that within the same national framework very different situations can coexist as well as different degrees of development.

Generally speaking, the familial system is based on nuclear families, high solidarity from the extended family and the community, and a rigid division of labour within the household: men work outside the family and women inside, looking after the other members or helping in the family firm. The roles are complementary and not interchangeable. This does not mean that women are not emancipated. While in northern Europe women emancipate from the family, finding their place mainly *outside*, in paid – very often part-time – employment (Trifiletti 1999), in southern Europe women emancipate *within* the family, doing the same care work, in the same professional way, with the only difference that they do it for their families. In this sense, women in southern EU states represent the link between the family and the state, as they deal both with modern public bureaucracy (i.e. hospitals, schools, public administration) and family needs. This system has important consequences both for the labour market and for the demographic structures of the family itself.

As regards the labour market, the system has clearly discouraged women from entering or staying in it. In fact, if they are in the labour market, they are often obliged to do stressful 'double shifts' (Balbo 1991; Saraceno 1998). In this sense, the situation southern European women have to face is much less favourable compared to their colleagues in Northern countries (or in the UK), as part-time jobs are still not very widespread in South European countries (Eurostat 1999).

As far as demographic changes are concerned, the familial characteristic is particularly evident in phenomena like decreasing birth rates; extended cohabitation of young adults with their parents; and a lower incidence of family instability compared to northern countries (Eurostat 1999). Low birth rates, together with the increase in life-expectancy, have contributed to the ageing of the

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<sup>3</sup> The situation, however, is completely different both in Italy and Spain in relation to kindergarten provision which cover almost 80% of all children (Saraceno 1999).

population which is particularly pronounced in South European countries. This fact not only has social but also economic consequences, for instance on social expenditure in terms of pensions, which are less and less balanced by wages, and in terms of expenditure on care services. The extended cohabitation of young adults living with parents<sup>4</sup> has relevant consequences for their job-finding strategies. Young people can afford to look longer for a job because they live with their parents who are supposed to maintain them. In this case the familial tradition can be exemplified by the attitude of the majority of parents who do not want their children to work in low service jobs (as waiters, baby sitters, cleaners) as 'it is not suitable'. Young people remain dependent on their parents until they find a good (and stable) job and often have access to their own flat. The phenomenon, however, is not confined to the young unemployed or precarious employed, as even young people with a stable job live with their parents. If we take as an example a young adult of 29 living in a developed (and rich) region, he/ she is likely to live with the parents, working full time. This is the easiest way to save money for future investments and it seems one of the main reasons for extended cohabitation. But this is possible also because relations between the generations have greatly changed, allowing young people more freedom. Indeed their economic independence within the family gives them a relatively equal status. The path towards the emancipation of young people, in this case, is 'within the family' and not 'from the family' (Bettio and Villa, 1995) exactly as has occurred for women. The situation is rather different if we take a young adult living in a disadvantaged area, as he/she is also living with parents, because he/she has no other choice due to being unemployed or in an unstable job. In this case, there is no path toward independence, but complete dependence on family resources with the indirect consequence of having less contractual power within the family.

Low birth rates, ageing populations, the long-lasting family have contributed to transform family and kinship networks, partly modifying the way they cope with difficulties. These transformations together with changes in the labour market (see § 4) put pressure on this model, creating new areas of vulnerability. From the demographic point of view, for instance, it is evident that the kinship network has been extended through the generations, but reduced within the same generation (fewer brothers and sisters but parents and grandparents still living). This brings together some positive and negative aspects. On the one hand, it is positive, as grandparents can be a great help as they usually look after children when the mother is working. Moreover, vertical intergenerational relationships often imply a constant flux of (monetary) resources from grandparents to parents and grandchildren which contribute to the pool of available resources within the family. In a context where state redistribution of resources is not particularly developed, this support proves to be important. On the other hand,

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<sup>4</sup> In Italy in 1996 58.5% of young people between 18 and 34 years lived in their family of origin, a rate which has been steadily growing (Iard 1999).

however, grandparents can represent a burden if they become ill or are not self-sufficient and this responsibility is less likely to be shared with another woman. In the latter case the lack of social services, as we have seen, and the reduced kinship-networks can produce high tensions within the family. In this sense, the lesser incidence of forms of family instability - divorce, single-parent families and recomposed families - is at the same time brought about and compensated for by an overburdening of families with responsibilities. It is this overburdening that tends to produce tensions. A whole series of supports that were practicable for wide kinship-networks, under less pressure from individuals in serious difficulty (drug-addicts, the long-term sick, elderly people not self-sufficient, the young long-term unemployed and so on) are highly problematical under present-day conditions.

In synthesis, the familial nature of Italian welfare stresses the importance of reciprocity and of women as the centre of the subsidiarity mechanism. Within this model, in fact, women assume a strategic role for the preservation of balance, which is not only domestic, but of the whole system of social reproduction. They are at the centre of various crucial relations and have the double role of intermediaries: on the one hand, within the family- and kinship-network, on the other hand, between the family and the state. This particular reproduction-system and mix of family, state and market is not necessarily a sign of backwardness or non-modernity. Instead, as we have seen, it highlights a different pattern of development which was coherent in itself even though it produced an uneven distribution of resources among the different groups.

The low 'defamiliarisation' level exhibited in Southern European societies is indeed in accordance with the logic of the societal patterns it has developed. Placing the burden of welfare responsibility on the household is only possible if one section of the population, i.e. married women, either does not have access to cash benefits or, if it does, it is understood that the job it provides the income is secondary to the family needs. Since many women work in family businesses or informal employment, they have not developed autonomy from the family unit to make independent decisions concerning their individual choices. This creates a situation of mutual dependency between men and women in which the former provide income and the latter care services (Flaquer 2000). This symbiotic relationship explains not only why family ties are so strong in southern European countries, but also why the societal system continues to reproduce. It provides a cultural legitimisation of economic and social cleavages between 'insiders' and 'outsiders' in the labour market and between levels of participation in society as citizens.

#### *Overcoming rigidity in the labour market*

The labour market in Italy, Portugal and Spain is characterised by specific processes of industrial and urban expansion. As we have seen, the extension and consolidation of salaried employment was slower compared to continental

European countries and the industrial economic culture also remained limited to some urban and regional areas already developed since the nineteenth century. In the post-war period it was these same industrial areas which, together with some emerging ones, experienced rapid urbanisation with internal rural-urban migration. This contributed to fragmented territorial development. In Italy the industrial triangle formed by Milan, Turin and Genoa developed as the most industrialised area. The same is true in Spain where Catalonia, the Basque Region, and Madrid became the most industrialised areas, and in Portugal with the metropolitan areas of Lisbon and Porto. Fordist production was predominant in these few urban centres while small and medium-size industry expanded more generally throughout the countries.

Today, even though modernised economies have spread towards other regions, (e.g. north-east and central Italy in the 1970s and 1980s with flexible specialisation), southern Italy, inland Spain – with some relevant exceptions – and inland Portugal continue to lag behind in terms of education, skills and employment participation.

Apart from the high degree of geographical fragmentation in economic development, southern European countries are also characterised by a high degree of segmentation in welfare provision, privileging employed blue-collar workers in the medium and large size firms neglecting access to benefits for the unemployed without previous work experience, workers outside the official labour market and partly also to the self-employed. The latter represent a high ratio of workers in all three countries<sup>5</sup>, and, their social integration, as we have seen, has come about mainly through high tolerance of tax evasion and a widespread informal economy<sup>6</sup>.

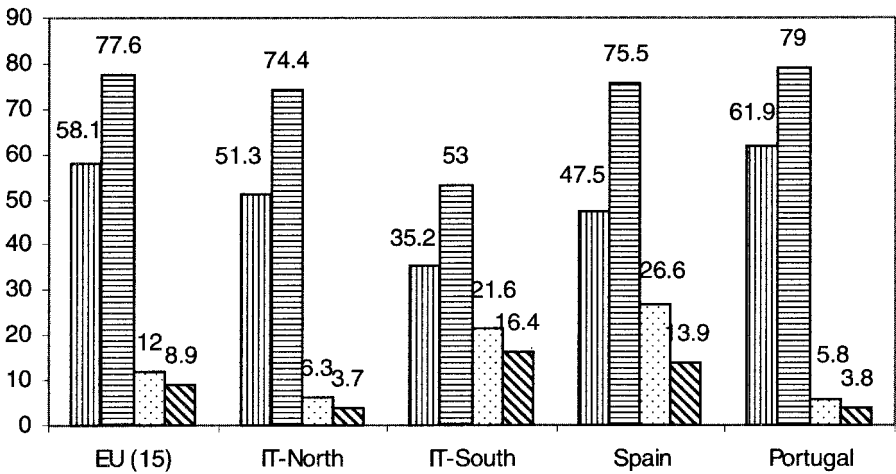
In this common pattern, rigid labour laws protected male workers who were heads of the family (male breadwinner model), undermining the possibilities of employment for women and young people. The direct consequences have been low adult male unemployment rates and high rates of female and youth unemployment (see Graph 1). Their exclusion from the labour market has been functional to maintaining the system and re-enforced the familial culture. In fact, the importance of women within the family (see § 3) prevented high rates of female unemployment being perceived as a challenging social issue, at least until very recent years (Saraceno 1998).

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<sup>5</sup> In Italy the percentage of self-employed is 28.3% of employed population, in Spain 23.1 and in Portugal 28.9 (Eurostat 1999).

<sup>6</sup> It is estimated that in Spain one in five self-employed workers is integrated into the irregular market (Toharia, 1994). The widespread practice of informal employment in Italy, Portugal and Spain can be seen as a consequence of the marked labour market rigidities which divide workers into 'insiders' and 'outsiders'. While creation of permanent well-protected jobs is relatively small in these countries, employment has flourished in the informal sector. This sector is estimated to be about twenty percent of GDP in Italy (Blades 1982) and about twenty five per cent in Portugal and Spain (*The Economist* 1987).

**Graph 1 Activity and Unemployment Rates in Southern European Countries by Gender (1998)**



■ Activity Rate F ■ Activity Rate M ■ Unemployment Rate F ■ Unemployment Rate M

Source: Eurostat, 1999.

The same is true for the young. The situation was partly sustainable as long as the working career of fathers (or the pensions of grandfathers) was stable enough to guarantee a pooling of resources within the household. The increased insecurity in all sectors undermines the familial protection mechanism and it increases families' vulnerability (Sgritta 1993; CIPE 1998). As a consequence, youth unemployment has become a crucial social issue.

Female and youth unemployment is, however, higher in Italy and Spain, which share the same employment/unemployment model, than in Portugal where low wages are the real problem. In the latter unemployment is lower and the activity rate higher because of the higher share of people working in agriculture.

The exclusion of these two categories – women and young people – from the labour market was mainly due to institutional regulations and partly to the severe dismissal laws in existence. As a result of the high cost associated with firing workers, unprofitable firms found it difficult to lay off employees during the economic crisis of the 1980s, thereby discouraging the creation of jobs at a time of economic growth (Garcia and Karakatsanis 2001). This vicious circle has contributed to the formation of a category of 'insiders', well-protected workers with indefinite contracts (male adults), and 'outsiders', those who are temporarily employed (mainly women and young people), or employed in the informal sector. Spain is a case in point. During its political transition from dic-

tatorship to democracy, companies declared bankruptcy rather than pay the high indemnities required by the law governing dismissals. In doing so, the numbers of unemployed increased considerably. Moreover, the pressure exercised by Spanish trade unions to increase wages as well as the increased fiscal (tax) pressure on companies – during the first years of the return to democracy – exacerbated the loss of jobs. It was with the first Socialist government (1982-1986) that trade unions accepted job-restructuring (mainly in industry) and wage moderation in exchange for a more active role in decision-making issues related to work and employment. Instead, in Portugal in the same years, levels of employment were relatively stable, but firms increased their competitive advantage by lowering wage levels. In Italy, in this same period the North-South divide increased greatly. The Centre-North managed to overcome the industrial crisis of the 1970s and 1980s by the increased dynamism of the existing small and medium-sized companies, which were more flexible and able to respond to an increasingly unstable and shifting demand for non-standardised goods. In the South nothing like this happened; conversely a progressive weakening of infrastructures and welfare services occurred in a phase where these elements should have offered dynamic support for the creation of new opportunities in terms of human and social capital.

It is in this very period that the presence of self-employment starts to be considered a crucial resource for the national economy. In fact, the relatively high ratio of self-employment and the high number of small firms has always been interpreted as a sign of backwardness as self-employment used to be mainly concentrated in traditional agriculture and trade. Nowadays, this is not the case, as an increasing number of the self employed and small-medium entrepreneurs are innovative, using high technology, and working in the consultancy sector (Bologna, Fumagalli 1997; Chiesi 1997). An increasing proportion of the new self-employed, in fact, are directly connected with the re-organisation of big industrial and service companies through the outsourcing of some sectors to consultants who were previously employed within the company.

The insider-outsider divide – which in Italy partly coincides with the geographic North-South divide – is fostered by those workers (insiders) who have an interest in maintaining existing rigidity, reinforcing the fragmentation of the labour market. These workers with indefinite contracts are also the ones who are strongly represented within trade-unions and who have been most reluctant to accept any government policies that will weaken the permanent workforce (Rhodes 1997, and Richards and de Polavieja 1997).

In the last two decades, a process of transformation has been set in motion in all three countries. Temporary contracts have been encouraged by respective national policies in order to encourage flexibility and the access of women and young people to the labour market. Spain and Portugal have adopted the move towards flexibility to a larger extent than Italy. Temporary employment has been fostered and many types of contracts have been redefined in order to fa-

cilitate this flexibility. In Spain, access to the labour market has improved considerably from 1994 onwards, in particular through a very high incidence of temporary contracts involving mainly the two disadvantaged categories (women and young people)<sup>7</sup>. In Portugal temporary contracts have continued to develop but with an increased proportion of fixed terms as opposed to seasonal or occasional work during the same decade. Instead, in Italy, the incidence of temporary employment continues to be lower than in Spain and Portugal<sup>8</sup>, and regionally unequally distributed: i.e. more in the North than in the South. Besides temporary contracts, a series of non-standard forms of contracts is emerging, which may be seen as a compromise between self-employment and full-time salaried employment, as they often do not require work in the office but at home. These are mainly concentrated in the service sector and in the relatively high segment involving mainly young people with relatively high qualifications. As is quite evident, all three countries, though through different patterns, are trying to make their labour markets less rigid and, above all, to improve access for those disadvantaged categories. In this sense, active policies should play a relevant role. Here, it is important to stress how these policies have been introduced in comparison to the practices in Northern countries in order to underline again the differences and specificity of the South European model. In northern countries, compulsory participation in the active labour market measures is more frequent for young people than for other unemployed groups, privileging activation for the young with a stronger workfare character. In contrast, in Southern European countries there is more institutional flexibility and comparatively less accountability over specific practices. Since in Southern European countries there are no economic rights for those who have not worked before, young people neither receive benefit nor are obliged to participate in job creation schemes, which is what happens in the Scandinavian countries and in The Netherlands. The governments of Italy, Portugal and Spain introduced active labour market policies in order to promote employability for the long-term unemployed, and they mainly concentrated on education and training experiences for the young. However, the impact of these policies has been uneven in the contexts analysed, being more successful in those areas where unemployment rates were lower, in Northern Italy, for instance, programmes have proved to be

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<sup>7</sup> This partly changed existing relations between male and female employment, reducing the gap between their activity rates. Although there is an increasing participation of women in the formal labour markets of the three countries, gender differences continue to be high. Female formal employment is considerably lower than male employment in Italy and Spain - 44.3 and 47.5 respectively- whereas in Portugal it reaches 61.9 (as in Germany) (Eurostat, 1999). This marked difference between Italy and Spain on the one hand, and Portugal on the other is consistent with the wage levels, which are lower in the latter country.

<sup>8</sup> People working with temporary contracts in Spain in 1998 were 32.9 of total employed; in Portugal 17.3 and in Italy 8.6% (Eurostat, 1999).

more successful than in the South<sup>9</sup>. This has also been possible as activation policies have been decentralised providing local institutions with more discretion in the design- and implementation-process. Decentralisation has been positive in examining the local needs and providing useful answers, however, evaluation of the programmes becomes less clear and accountability is practically non-existent. One result is that the actors involved in the administration of the programmes have more room for distorting their original aim. In these contexts and without a clear definition of rights and obligations for the participants in the programmes their success in terms of social integration is strongly undermined.

### *Conclusions*

What is happening to the European model in these times of change? The state has been central but weak, the family strong but marginal, labour market regulation has protected male breadwinners up to the end of the 1980s, but is now in trouble. Moreover, south European countries are characterized by a high degree of geographical (and socio-economic) fragmentation, which further complicates the picture. What is happening now? Is there convergence with other European countries? How does their heritage shape path dependency and affect the ongoing transformations of southern European countries? Our answers to these questions cannot be exhaustive in a short conclusion. However, we would like to point out some issues which should frame our further research.

All three countries are now moving towards a reorganization and rationalization of their social protection measures, for instance with the introduction of RMI-like measures (*Revenu Minimum d'Insertion*)<sup>10</sup>, but also with the extension of some social measures previously targeted only at dependent workers in big firms. The challenge is to overcome the fragmentation of social policies and of beneficiaries, who are entitled to different benefits according to their status (e.g. public dependent workers or private dependent workers, civil or labour invalidity). This reorganization can be considered the result of a twofold pressure. On the one hand, the European Monetary Union and the European Commission Guidelines are forcing countries to control state budgets and social expenditure. On the other hand, the need to cope with new vulnerabilities and to reach a common minimum standard of social protection is more urgent. However, these reforms have a different impact on the different regional contexts where they have to be implemented. The risk of increasing regional differences further is high, if local resources are not balanced with central intervention both in terms of fixing qualitative standards and financial resources, the gap could worsen.

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<sup>9</sup> For the Italian experience, we mainly refer at *New apprenticeship contracts* (targeted at young people aged 16-24), *Work-training contracts*; *Projects of professional insertion*; *Stages/Work experience*.

<sup>10</sup> The RMI takes different forms in the different contexts even though the logic underneath the measure is more or less the same.



This is one of the most important challenges which remains open in the South European countries.

The local dimension plays an important role also in understanding family strategies. The low rates of separation and divorce in some regions (mainly in the south of Italy, southern regions of Spain and Portugal) can be also explained by the fact that people are forced to live together, as they pool different resources. In this way, household unity becomes more a matter of survival than choice. Indeed, the richer the local economic context, the greater the threat of increased household fragmentation because of job opportunities and guarantees of social protection<sup>11</sup>. Of course, there is not a deterministic or mechanic relation, as other dimensions (cultural, for instance) should be considered, but it is anyway an important element to keep in mind in the analysis of the southern European model.

Finally, from the perspective of work, as we have seen, the male breadwinner-model is diminishing, while new flexible and atypical work is increasing. These new workers have less security at the moment as they do not often benefit from social protection (for instance they are not entitled to unemployment benefits) and this creates a new area of vulnerability. Once again, the local dimension plays an important a role as these forms of work, implemented to improve accessibility to the labour market and to create new job opportunities, are regionally not equally distributed, privileging the most advanced regions. Here, again, the risk is that only the most developed regions can take advantage from these new opportunities, while the others continue to lag behind.

In sum, what emerges is that southern European countries addressed the high fragmentation of the state's regulatory framework with a series of reforms in the 1990s ranging from labour market regulations to social assistance<sup>12</sup>. These reforms are allowing some convergence towards a continental norm. The problem is that there is a timing gap between the reforms, i.e. no synchronization. This implies that the vulnerability of specific groups (e.g. single adults) increases in the convergence process because the timing gap between labour market reforms (which have already occurred) and reforms in the regulation of social assistance (still ongoing) implies a coverage gap. The slight fall in unemployment in the last few years makes the problem less severe, at least in some regions, but, again, without resources, the family will be overloaded with social responsibilities.

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<sup>11</sup> This is partly shown in the Italian context where the rates of divorce in Milan – a city with high job opportunities and the highest income per-person – is double compared to the regional rate and four times the national average.

<sup>12</sup> For instance, most countries introduced (e.g. Portugal in 1997, Spain at a regional level, Italy in 1999 on an experimental basis,) new social assistance schemes trying to overcome categorization, discretionary powers and uncertainty over entitlements, as characterized by the old measures.

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